

What is the Difference

Between Generic and Brand Name Products? Not Much (except the cost!)

Brand name drugs have a patent. Generic drugs do not. In addition, the following may also be different:

- The color, size, shape, and inactive ingredients (referred to as fillers).
- The name of the product.
- The cost of the product.

The last difference, the cost, can be substantial. Generics are generally priced 20 to 60 percent lower than their brand name counterparts. Pharmaceutical manufacturers can produce generics for less than brand name products because:

- The drug has already been approved by the FDA as safe and effective.
- There are no large-scale research and development costs.

Since generic products are rarely marketed, there are no advertising costs to recover.

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State Keeps an Eye on Escalating Health Care Costs

Health care costs keep rising, and it's affecting all of us. The State of Idaho's actuary has projected that our medical costs will increase by 12 percent next year; cost for dental coverage is expected to rise six percent.

Experts say health care costs are increasing because of:

- Changing demographics - our aging baby boomer population needs more medical care
- Expensive new pharmaceuticals and increased use of existing prescription drugs
- An overall increase in the number of doctor's visits, both to specialists and primary care providers
- New treatments and medical technologies

Prescription drugs contribute a disproportionate share to health care cost increases. More new drugs will be developed to make life easier - but at a cost. One expert predicts that insurance companies will even start making tough choices about whether they'll pay for medications that don't actually treat a disease.

To meet rising costs, many employers say they will impose higher copayments and tighten plan benefits, particularly regarding prescription drugs. Heavier emphasis will be placed on general health management, to promote healthier lifestyles and reduce the cost of chronic illness such as asthma and diabetes.

In a 1997 nationwide survey, companies said they hope to reduce future cost increases by introducing or expanding managed drug programs and disease management programs, which provide extra education and case management for plan members who suffer from serious chronic illnesses. Those surveyed also said they would control prescription drug costs by hiring firms to oversee benefits; consolidate all pharmacy benefit activities with a single company to concentrate buying power; and aggressively use formularies, or lists of drugs covered by a benefits plan.

The State of Idaho is committed to minimizing future health care cost increases, and will continue to keep you informed about this important issue.



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Prescription for the Future

Last year, Americans spent nearly twice as much on drugs as we did just five years earlier. Prescription drug expenditures rose from \$50.6 billion in 1993 to \$93.4 billion in 1998. Much of that jump can be attributed to increased use of just a few types of well-advertised drugs: oral antihistamines (like Claritin or Allegra), antidepressants (Prozac or Zoloft), cholesterol reducers (Lipitor, Zocor) and heartburn medications (Prilosec or Pepcid).

Overall, the amount paid by employers for prescription drugs has risen at an annual rate of more than 15% during the past two years. The State of Idaho employee group has been no exception. While member copays have not risen in the past 18 months, the cost of drugs to the State of Idaho has increased by more than 20%.

What's causing the increase in cost?

Two things influence prescription drug costs: increased usage (called utilization) and the use of more expensive drugs (where older, less expensive ones would work equally well).

The increase in utilization is driven by several factors. First, a larger portion of our population is getting older and therefore requires more medical care. Second, drugs are increasingly prescribed to treat conditions that cost much less, if they were treated at all, five years ago. For example, a new class of stomach drugs, which include Prilosec and Prevacid, cost over \$100 per month, where Zantac or Pepcid used to cost just \$50 per month or less. While more effective in some cases, the new drugs do not always lead to better quality care. These drug classes, where new treatments replace older drugs, are commonly advertised directly to the consumer which helps to drive demand and therefore drive up cost. The classes of drugs most heavily advertised are stomach drugs and allergy drugs.

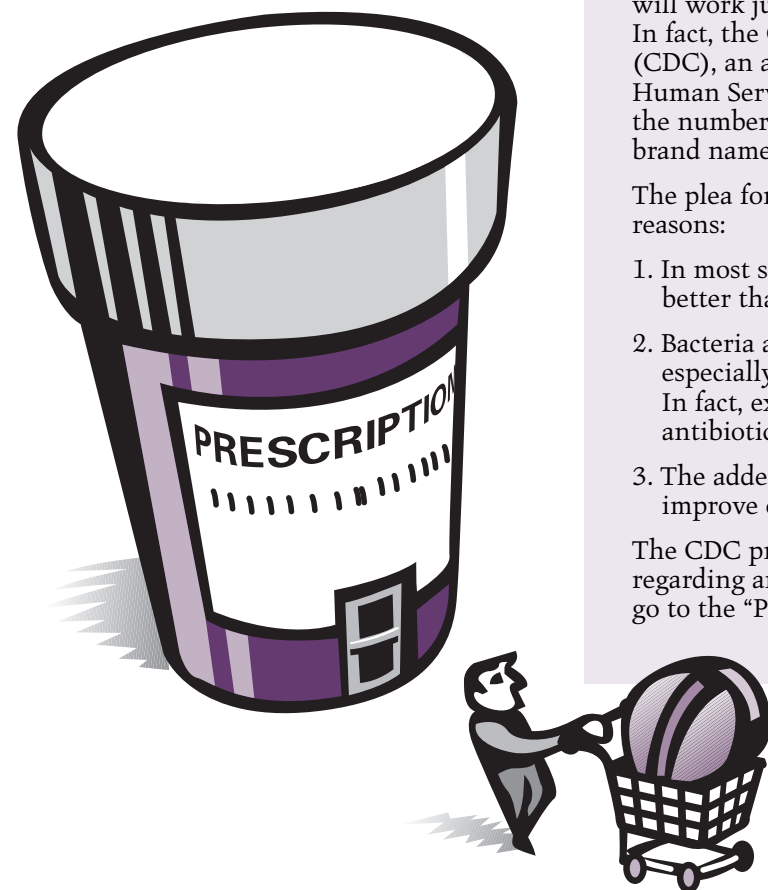
New antibiotics costly in several ways

With increasing frequency, a newer, costly drug is increasingly prescribed where a less expensive, often generic, drug will work just as well. This is most often true with antibiotics. In fact, the Centers for Disease Control and Prevention (CDC), an agency of the U.S. Department of Health and Human Services, has repeatedly asked physicians to reduce the number of prescriptions for antibiotics, particularly new brand name antibiotics that kill many types of bacteria.

The plea for fewer antibiotics is made for three important reasons:

1. In most situations, brand name antibiotics perform no better than their generic equivalent.
2. Bacteria are becoming increasingly resistant to treatment, especially when exposed to broad-spectrum antibiotics. In fact, experts agree that it's best to reserve the super antibiotics for extreme cases where bacteria are resistant.
3. The added cost of the brand antibiotic typically does not improve care or shorten recovery time.

The CDC provides a web site which explains the issues regarding antibiotics: <http://www.cdc.gov/ncidod/ar/> and go to the "Patient Information" link.



Controlling Costs - Together

Working together, both providers and users of health care can control drug costs. Many drugs, old and new, provide great benefit to patients. However, by avoiding unnecessary use of high cost medications, the State of Idaho can retain prescription drugs as an affordable element of our health care.



What You Can Do to Keep Prescription Drug Costs Down

- Always ask your physician or pharmacist if there is a less expensive alternative (perhaps an over-the-counter remedy) which can do just as well as the drug that is prescribed.
- Keep in mind that the drugs advertised on television or in magazines often have higher costs. Avoid the temptation to "self refer."
- If you're taking a brand name drug, ask your doctor or pharmacist whether the generic would work for you.
- If you're taking a high-priced generic, ask whether another, less expensive drug in the same class would work as well.
- Don't take a drug unless it is necessary. Ask your doctor or pharmacist if medications are really needed, or are designed simply to ease your recovery. In some situations, such as a bad cold, a prescription drug will not improve the quality of your care.
- Periodically evaluate the types and number of medications you are taking. Take them to your doctor and ask if they are all needed. You may even discover unhealthy drug combinations.

